INTERNATIONAL BUSINESS MACHINES CORP
Form 8-K
April 19, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: **April 19, 2011**

(Date of earliest event reported)

INTERNATIONAL BUSINESS MACHINES CORPORATION

(Exact name of registrant as specified in its charter)

New York	**1-2360**	**13-0871985**
(State of Incorporation)	(Commission File Number)	(IRS employer Identification No.)

ARMONK, NEW YORK	**10504**
(Address of principal executive offices)	(Zip Code)

914-499-1900

(Registrant s telephone number)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

The registrant s press release dated April 19, 2011, regarding its financial results for the period ended March 31, 2011, including consolidated financial statements for the period ended March 31, 2011, is Attachment I of this Form 8-K. Attachment II are the slides for IBM s Chief Financial Officer Mark Loughridge s first quarter earnings presentation on April 19, 2011, as well as certain reconciliation and other information (Non-GAAP Supplementary Materials) for information in Attachment I (press release), Attachment II (slides) and in Mr. Loughridge s presentation. All of the information in Attachment I and II is hereby filed.

IBM s web site (www.ibm.com) contains a significant amount of information about IBM, including financial and other information for investors (www.ibm.com/investor/). IBM encourages investors to visit its various web sites from time to time, as information is updated and new information is posted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: April 19, 2011

By: /s/ James J. Kavanaugh

James J. Kavanaugh
Vice President and Controller

ATTACHMENT I

IBM REPORTS 2011 FIRST-QUARTER RESULTS

- **Diluted EPS:**

  GAAP: $2.31, up 17 percent;

  Operating (non-GAAP): $2.41, up 21 percent;

- **Revenue: $24.6 billion, up 8 percent, up 5 percent adjusting for currency;**
- **Net income:**

  GAAP: $2.9 billion, up 10 percent;

  Operating (non-GAAP): $3.0 billion, up 13 percent;

- **Pre-tax income:**

  GAAP: $3.8 billion, up 9 percent;

  Operating (non-GAAP): $4.0 billion, up 12 percent;

- **Gross profit margin:**

  GAAP: 44.1 percent, up 0.5 points;

  Operating (non-GAAP): 44.5 percent, up 0.8 points;

- **Software revenue excluding divested PLM operations up 10 percent, 8 percent adjusting for currency; 6 percent including PLM, 4 percent adjusting for currency;**

- **Systems and Technology revenue up 19 percent, 16 percent adjusting for currency;**
- **System z mainframe revenue up 41 percent; MIPS up 34 percent;**
- **Services revenue up 6 percent, 3 percent adjusting for currency;**
- **Services backlog of $142 billion, up $8 billion;**
- **Growth markets revenue up 18 percent, 12 percent adjusting for currency;**
- **Business analytics revenue up 20 percent;**
- **Smarter Planet revenue up 20 percent;**
- **Cloud revenue 5 times first-quarter 2010 revenue;**
- **Full-year 2011 Operating (non-GAAP) EPS expectations raised to at least $13.15 from at least $13.00.**

ARMONK, N.Y., April 19, 2011 . . . IBM (NYSE: IBM) today announced first-quarter 2011 diluted earnings of $2.31 per share, compared with diluted earnings of $1.97 per share in the first quarter of 2010, an increase of 17 percent. Operating (non-GAAP) diluted earnings were $2.41 per share, compared with operating diluted earnings of $2.00 per share in the first quarter of 2010, an increase of 21 percent.

First-quarter net income was $2.9 billion compared with $2.6 billion in the first quarter of 2010, an increase of 10 percent. Operating (non-GAAP) net income was $3.0 billion compared with $2.6 billion in the first quarter of 2010, an increase of 13 percent.

Total revenues for the first quarter of 2011 of $24.6 billion increased 8 percent (5 percent, adjusting for currency) from the first quarter of 2010.

We delivered a strong first quarter with revenue growth across hardware, software and services and with more than 40 countries growing in double digits. We continued to see excellent momentum in our growth initiatives - smarter planet, cloud, business analytics, and growth markets - which bring together the full value of the IBM portfolio, said Samuel J. Palmisano, IBM chairman, president and chief executive officer. We achieved broad-based margin improvement, while our cash flow and strong financial position enabled us to continue to return value to our shareholders.

On the strength of this performance, we are raising our full-year 2011 operating earnings per share expectations to at least $13.15.

First-Quarter GAAP Operating (non-GAAP) Reconciliation

First-quarter operating (non-GAAP) diluted earnings exclude $0.10 per share of charges: $0.09 per share for the amortization of purchased intangible assets and other acquisition-related charges, and $0.01 per share for retirement-related charges driven by changes to plan assets and liabilities primarily related to market performance.

Full-Year 2011 Expectations

IBM raised its expectations for full-year 2011 GAAP diluted earnings per share to at least $12.73 from at least $12.56; and operating (non-GAAP) diluted earnings per share to at least $13.15 from at least $13.00. The 2011 operating (non-GAAP) earnings

exclude $0.42 per share of charges for amortization of purchased intangible assets, other acquisition-related charges, and retirement-related charges driven by changes to plan assets and liabilities primarily related to market performance.

Geographic Regions

The Americas first-quarter revenues were $10.3 billion, an increase of 9 percent (8 percent, adjusting for currency) from the 2010 period. Revenues from Europe/Middle East/Africa were $7.8 billion, up 3 percent (2 percent, adjusting for currency). Asia-Pacific revenues increased 12 percent (4 percent, adjusting for currency) to $5.9 billion. OEM revenues were $600 million, up 13 percent compared with the 2010 first quarter.

Growth Markets

Revenues from the company s growth markets increased 18 percent (12 percent, adjusting for currency). Revenues in the BRIC countries Brazil, Russia, India and China increased 26 percent (22 percent, adjusting for currency). Growth markets revenue represents 21 percent of IBM s total geographic revenue for the first quarter.

Services

Total Global Services revenues increased 6 percent (3 percent, adjusting for currency). Global Technology Services segment revenues increased 6 percent (3 percent, adjusting for currency) to $9.9 billion. Global Business Services segment revenues were up 7 percent (3 percent, adjusting for currency) at $4.7 billion.

Global Services pre-tax income increased to $1.9 billion, up 34 percent year over year. Pre-tax income from Global Technology Services increased 29 percent and pre-tax margin increased to 12.2 percent (10 percent and 13.3 percent, respectively, when adjusted for workforce rebalancing charges in the first quarters of 2010 and 2011). Global Business Services pre-tax income increased 44 percent and pre-tax margin increased to 13.0 percent (19 percent and 14.0 percent, respectively, when adjusted for workforce rebalancing charges in the first quarters of 2010 and 2011).

The estimated services backlog at March 31 was $142 billion, up $8 billion year over year at actual rates ($1.5 billion, adjusting for currency).

Software

Revenues from the Software segment were $5.3 billion, an increase of 6 percent (4 percent, adjusting for currency), or 10 percent (8 percent, adjusting for currency) excluding the first-quarter 2010 divestiture of the Product Lifecycle Management operations (PLM), compared with the

first quarter of 2010. Software pre-tax income of $1.7 billion was down 18 percent (up 9 percent when adjusted for the gain on the sale of IBM s PLM operations in first-quarter 2010 and for workforce rebalancing charges in the first quarters of 2010 and 2011) year over year.

Revenues from IBM s key middleware products, which include WebSphere, Information Management, Tivoli, Lotus and Rational products, were $3.3 billion, an increase of 16 percent (14 percent, adjusting for currency) versus the first quarter of 2010. Operating systems revenues of $542 million increased 9 percent (7 percent, adjusting for currency) compared with the prior-year quarter.

Revenues from the WebSphere family of software products increased 51 percent year over year. Information Management software revenues increased 13 percent. Revenues from Tivoli software increased 8 percent. Revenues from Lotus software increased 1 percent, and Rational software increased 5 percent.

Revenues from the company s business analytics operations across services and software segments increased 20 percent.

Hardware

Revenues from the Systems and Technology segment totaled $4.0 billion for the quarter, up 19 percent (16 percent, adjusting for currency) from the first quarter of 2010. Systems and Technology pre-tax income was $132 million, an increase of $329 million.

Systems revenues increased 18 percent (16 percent, adjusting for currency). Revenues from System z mainframe server products increased 41 percent compared with the year-ago period. Total delivery of System z computing power, as measured in MIPS

(millions of instructions per second), increased 34 percent. Revenues from Power Systems increased 19 percent compared with the 2010 period. Revenues from System x increased 13 percent. Revenues from System Storage increased 10 percent, and revenues from Retail Store Solutions increased 18 percent year over year. Revenues from Microelectronics OEM increased 23 percent.

Financing

Global Financing segment revenues decreased 4 percent (6 percent, adjusting for currency) in the first quarter to $516 million. Pre-tax income for the segment increased 22 percent to $519 million.

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The company s total gross profit margin was 44.1 percent in the 2011 first quarter compared with 43.6 percent in the 2010 first-quarter period. Total operating (non-GAAP) gross profit margin was 44.5 percent in the 2011 first quarter compared with 43.7 percent in the 2010 first-quarter period, with increases in Systems and Technology and Software.

Total expense and other income increased 9 percent to $7.0 billion compared with the prior-year period. SG&A expense of $5.8 billion increased 3 percent year over year compared with prior-year expense. RD&E expense of $1.6 billion increased 5 percent compared with the year-ago period. Intellectual property and custom development income increased to $262 million compared with $261 million a year ago. Other (income) and expense was income of $202 million compared with prior-year income of $545 million. Interest expense increased to $93 million compared with $82 million in the prior year.

Total operating (non-GAAP) expense and other income increased 8 percent to $7.0 billion compared with the prior-year period. Operating (non-GAAP) SG&A expense of $5.7 billion increased 2 percent year over year compared with prior-year expense. Operating (non-GAAP) RD&E expense of $1.6 billion increased 4 percent compared with the year-ago period.

Pre-tax income increased 9 percent to $3.8 billion, and pre-tax margin was 15.5 percent, up 0.1 points. Operating (non-GAAP) pre-tax income increased 12 percent to $4.0 billion and pre-tax margin was 16.2 percent, up 0.6 points.

IBM s tax rate was 25.0 percent, down 1 point year over year; operating (non-GAAP) tax rate was also 25.0 percent, down 0.8 points.

Net income margin increased 0.3 points to 11.6 percent. Operating (non-GAAP) net income margin increased 0.6 points to 12.1 percent.

The weighted-average number of diluted common shares outstanding in the first-quarter 2011 was 1.24 billion compared with 1.32 billion shares in the same period of 2010. As of March 31, 2011, there were 1.21 billion basic common shares outstanding.

Debt, including Global Financing, totaled $30.3 billion, compared with $28.6 billion at year-end 2010. From a management segment view, Global Financing debt totaled $23.7 billion versus $22.8 billion at year-end 2010, resulting in a debt-to-equity ratio of 7.0 to 1. Non-global financing debt totaled $6.5 billion, an increase of $712 million since year-end 2010, resulting in a debt-to-capitalization ratio of 25.1 percent from 22.6 percent.

IBM ended the first-quarter 2011 with $13.2 billion of cash on hand and generated free cash flow of $0.8 billion, down approximately $600 million year over year primarily due to net income tax payments. The company returned $4.8 billion to shareholders through $0.8 billion in dividends and $4.0 billion of share repurchases. The balance sheet remains strong, and the company is well positioned to support the business over the long term.

Forward-Looking and Cautionary Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on the company s current assumptions regarding future business and financial performance. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including the following: a downturn in economic environment and corporate IT spending budgets; the company s failure to meet growth and productivity objectives, a failure of the company s innovation initiatives; risks from investing in growth opportunities; failure of the

company s intellectual property portfolio to prevent competitive offerings and the failure of the company to obtain necessary licenses; breaches of data security; fluctuations in financial results and purchases, impact of local legal, economic, political and health conditions; adverse effects from environmental matters, tax matters and the company s pension plans; ineffective internal controls; the company s use of accounting estimates; the company s ability to attract and retain key personnel and its reliance on critical skills; impacts of relationships with critical suppliers and business with government clients; currency fluctuations and customer financing risks; impact of changes in market liquidity conditions and customer credit risk on receivables; reliance on third party distribution channels; the company s ability to successfully manage acquisitions and alliances; risk factors related to IBM securities; and other risks, uncertainties and factors discussed in the company s Form 10-Q, Form 10-K and in the company s other filings with the U.S. Securities and Exchange Commission (SEC) or in materials incorporated therein by reference. Any forward-looking statement in this release speaks only as of the date on which it is made. The company assumes no obligation to update or revise any forward-looking statements.

Presentation of Information in this Press Release

In an effort to provide investors with additional information regarding the company s results as determined by generally accepted accounting principles (GAAP), the company has also disclosed in this press release the following non-GAAP information which management believes provides useful information to investors:

IBM results and expectations

- presenting operating (non-GAAP) earnings per share amounts and related income statement items;
- presenting non-global financing debt-to-capitalization ratio;
- adjusting for free cash flow;
- adjusting for currency (i.e., at constant currency);
- adjusting for workforce rebalancing charges;
- excluding divested PLM operations.

The rationale for management s use of non-GAAP measures is included as part of the supplementary materials presented within the first-quarter earnings materials. These materials are available on the IBM investor relations Web site at www.ibm.com/investor and are being included in Attachment II (Non-GAAP Supplementary Materials) to the Form 8-K that includes this press release and is being submitted today to the SEC.

Conference Call and Webcast

IBM s regular quarterly earnings conference call is scheduled to begin at 4:30 p.m. EDT, today. Investors may participate by viewing the Webcast at www.ibm.com/investor/1q11. Presentation charts will be available on the Web site shortly before the Webcast.

Financial Results Below (certain amounts may not add due to use of rounded numbers; percentages presented are calculated from the underlying whole-dollar amounts).

INTERNATIONAL BUSINESS MACHINES CORPORATION

COMPARATIVE FINANCIAL RESULTS

(Unaudited; Dollars in millions except per share amounts)

	Three Months Ended March 31,		
	2011	2010*	Percent Change
REVENUE			
Global Technology Services	$ 9,863	$ 9,306	6.0%
Gross profit margin	33.8%	34.2%	
Global Business Services	4,710	4,410	6.8%
Gross profit margin	27.4%	27.2%	
Software	5,308	5,018	5.8%
Gross profit margin	87.0%	85.6%	
Systems and Technology	4,019	3,385	18.7%
Gross profit margin	37.8%	33.1%	
Global Financing	516	537	-4.0%
Gross profit margin	53.5%	49.8%	
Other	190	200	-4.6%
Gross profit margin	-93.3%	-45.6%	
TOTAL REVENUE	24,607	22,857	7.7%
GROSS PROFIT	10,858	9,976	8.8%
Gross profit margin	44.1%	43.6%	
EXPENSE AND OTHER INCOME			
S,G&A	5,826	5,677	2.6%
Expense to revenue	23.7%	24.8%	
R,D&E	1,587	1,509	5.2%
Expense to revenue	6.4%	6.6%	
Intellectual property and custom development income	(262)	(261)	0.3%
Other (income) and expense	(202)	(545)	-62.9%
Interest expense	93	82	13.1%
TOTAL EXPENSE AND OTHER INCOME	7,041	6,462	9.0%
Expense to revenue	28.6%	28.3%	
INCOME BEFORE INCOME TAXES	3,817	3,515	8.6%
Pre-tax margin	15.5%	15.4%	
Provision for income taxes	954	914	4.4%
Effective tax rate	25.0%	26.0%	

NET INCOME		2,863		2,601	10.1%
Net income margin		11.6%		11.4%	
EARNINGS PER SHARE OF COMMON STOCK:					
ASSUMING DILUTION	$	2.31	$	1.97	17.3%
BASIC	$	2.34	$	2.00	17.0%
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING(M s):					
ASSUMING DILUTION		1,240.0		1,321.6	
BASIC		1,222.2		1,301.2	

* Segment gross profit margins in 2010 reclassified to conform with 2011 presentation.

INTERNATIONAL BUSINESS MACHINES CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

(Dollars in Millions)	At March 31, 2011	At December 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,763	$ 10,661
Marketable securities	482	990
Notes and accounts receivable - trade (net of allowances of $328 in 2011 and $324 in 2010)	10,148	10,834
Short-term financing receivables (net of allowances of $318 in 2011 and $342 in 2010)	14,365	16,257
Other accounts receivable (net of allowances of $12 in 2011 and $10 in 2010)	1,145	1,134
Inventories, at lower of average cost or market:		
Finished goods	548	432
Work in process and raw materials	2,001	2,018
Total inventories	2,549	2,450
Deferred taxes	1,695	1,564
Prepaid expenses and other current assets	4,376	4,226
Total Current Assets	47,524	48,116
Plant, rental machines, and other property	40,765	40,289
Less: Accumulated depreciation	26,557	26,193
Plant, rental machines, and other property - net	14,208	14,096
Long-term financing receivables (net of allowances of $39 in 2011 and $58 in 2010)	10,254	10,548
Prepaid pension assets	3,788	3,068
Deferred taxes	3,076	3,220
Goodwill	25,408	25,136
Intangible assets - net	3,324	3,488
Investments and sundry assets	5,380	5,778
Total Assets	$ 112,960	$ 113,452
LIABILITIES AND EQUITY		
Current Liabilities:		
Taxes	$ 2,531	$ 4,216
Short-term debt	8,508	6,778
Accounts payable	6,747	7,804
Compensation and benefits	4,446	5,028
Deferred income	12,820	11,580
Other accrued expenses and liabilities	5,336	5,156
Total Current Liabilities	40,387	40,562

Long-term debt		21,749		21,846
Retirement and nonpension postretirement benefit obligations		15,995		15,978
Deferred income		3,724		3,666
Other liabilities		8,330		8,226
Total Liabilities		90,185		90,279
Equity:				
IBM Stockholders Equity:				
Common stock		46,278		45,418
Retained earnings		94,590		92,532
Treasury stock at cost		(100,078)		(96,161)
Accumulated other comprehensive income/(loss)		(18,119)		(18,743)
Total IBM stockholders equity		22,671		23,046
Noncontrolling interests		104		126
Total Equity		22,776		23,172
Total Liabilities and Equity	$	112,960	$	113,452

INTERNATIONAL BUSINESS MACHINES CORPORATION

CASH FLOW ANALYSIS

(Unaudited)

(Dollars in Millions)	Three Months Ended March 31, 2011	2010
Net Cash from Operating Activities per GAAP:	$ 3,792	$ 4,437
Less: the change in Global Financing (GF) receivables	1,936	2,101
Net Cash from Operating Activities (Excluding GF receivables)	1,856	2,335
Capital expenditures, net	(1,058)	(904)
Free Cash Flow (Excluding GF receivables)	798	1,432
Acquisitions	(51)	(824)
Share repurchase	(4,045)	(4,017)
Dividends	(795)	(718)
Non-GF debt	1,027	341
Other (includes GF receivables, GF debt)	4,660	3,789
Change in Cash, Cash Equivalents and Short-term Marketable Securities	$ 1,594	$ 3

INTERNATIONAL BUSINESS MACHINES CORPORATION

SEGMENT DATA

(Unaudited)

	FIRST-QUARTER 2011				
(Dollars in Millions)	External	Revenue Internal	Total	Pre-tax Income/ (Loss)	Pre-tax Margin
SEGMENTS					
Global Technology Services	$ 9,863	$ 307	$ 10,170	$ 1,238	12.2%
Y-T-Y change	6.0%	-4.1%	5.7%	29.3%	
Global Business Services	4,710	200	4,910	640	13.0%
Y-T-Y change	6.8%	-1.5%	6.4%	43.6%	
Software	5,308	830	6,138	1,735	28.3%
Y-T-Y change	5.8%	9.5%	6.3%	-18.4%	
Systems and Technology	4,019	244	4,263	132	3.1%
Y-T-Y change	18.7%	40.7%	19.8%	nm	
Global Financing	516	497	1,013	519	51.3%
Y-T-Y change	-4.0%	23.3%	7.7%	21.5%	
TOTAL REPORTABLE SEGMENTS	24,416	2,078	26,494	4,264	16.1%
Y-T-Y change	7.8%	11.8%	8.1%	13.4%	
Eliminations / Other	190	(2,078)	(1,887)	(447)	
TOTAL IBM CONSOLIDATED	$ 24,607	$ 0	$ 24,607	$ 3,817	15.5%
Y-T-Y change	7.7%		7.7%	8.6%	

nm not meaningful

	FIRST-QUARTER 2010				
(Dollars in Millions)	External	Revenue Internal	Total	Pre-tax Income/ (Loss)*	Pre-tax Margin*
SEGMENTS					
Global Technology Services	$ 9,306	$ 320	$ 9,626	$ 957	9.9%
Global Business Services	4,410	203	4,613	445	9.7%
Software	5,018	758	5,776	2,127	36.8%
Systems and Technology	3,385	173	3,559	(197)	-5.5%
Global Financing	537	403	941	427	45.4%

TOTAL REPORTABLE SEGMENTS	22,657	1,858	24,515	3,760	15.3%
Eliminations / Other	200	(1,858)	(1,658)	(245)**	
TOTAL IBM CONSOLIDATED	$ 22,857	$ 0	$ 22,857	$ 3,515	15.4%

* Reclassified to conform with 2011 presentation.

** Includes acquisition-related and non-operating retirement-related cost.

INTERNATIONAL BUSINESS MACHINES CORPORATION

U.S. GAAP TO OPERATING RESULTS RECONCILIATION

(Unaudited, Dollars in millions except per share amounts)

	FIRST-QUARTER 2011			
	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	Operating (Non-GAAP)
Gross Profit	$ 10,858	$ 85	$ 14	$ 10,957
Gross Profit Margin	44.1%	0.3Pts	0.1Pts	44.5%
S,G&A	5,826	(76)	(10)	5,740
R,D&E	1,587	0	19	1,606
Total Expense & Other Income	7,041	(80)	10	6,971
Pre-Tax Income	3,817	165	4	3,986
Pre-Tax Income Margin	15.5%	0.7Pts	0.0Pts	16.2%
Provision for Income Taxes	954	48	(6)	997
Effective Tax Rate	25.0%	0.2Pts	-0.2Pts	25.0%
Net Income	2,863	117	10	2,990
Net Income Margin	11.6%	0.5Pts	0.0Pts	12.1%
Diluted Earnings Per Share	$ 2.31	$ 0.09	$ 0.01	$ 2.41

	FIRST-QUARTER 2010			
	GAAP	Acquisition-Related Adjustments	Retirement-Related Adjustments	Operating (Non-GAAP)
Gross Profit	$ 9,976	$ 55	$ (35)	$ 9,996
Gross Profit Margin	43.6%	0.2Pts	-0.2Pts	43.7%
S,G&A	5,677	(61)	10	5,626
R,D&E	1,509	0	30	1,539
Total Expense & Other Income	6,462	(61)	40	6,441
Pre-Tax Income	3,515	116	(76)	3,556
Pre-Tax Income Margin	15.4%	0.5Pts	-0.3Pts	15.6%
Provision for Income Taxes	914	34	(31)	917
Effective Tax Rate	26.0%	0.1Pts	-0.3Pts	25.8%
Net Income	2,601	82	(45)	2,638
Net Income Margin	11.4%	0.4Pts	-0.2Pts	11.5%
Diluted Earnings Per Share	$ 1.97	$ 0.06	$ (0.03)	$ 2.00

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ATTACHMENT II